

## Message Text

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E.O. 11652: N/A

TAGS: EFIN, CA

SUBJECT: CITICORP VIEWS ON GOC WHITE PAPER ON BANKING LEGISLATION

REF: OTTAWA 3410

1. CITICORP REP BASED IN TORONTO MET WITH ECON COUNSELOR AND EMBOFF ON SEPTEMBER 13 FOLLOWING HIS DISCUSSIONS WITH FINANCE DEPARTMENT OFFICIALS REGARDING GOC WHITE PAPER ON BANKING LEGISLATION. IN PREVIOUS CONVERSATIONS WITH OTHER U.S. BANKERS OPERATING IN CANADA, EMBOFF HAD BEEN TOLD CITICORP WOULD HAVE MOST TROUBLE WITH PROPOSALS IN WHITE PAPER ON FOREIGN BANKS. (SEE REFTEL)

2. CITICORP REP TOLD MEBOFF THAT MOST DIFFICULT RESTRICTION IN WHITE APPER FOR CITICORP WOULD BE C\$500 MILLION LIMITATION ON FOREIGN BANK ASSETS. CITICORP'S OPERATIONS IN CANADA "WERE ALREADY ABOVE THAT FIGURE," AND GOC STRICT ADHERENCE TO LIMITATION WOULD "FINISH OFF" CITICORP IN CANADA.

3. DEPARTMENT OF FINANCE OFFICIALS, ACCORDING TO CITICORP REP, WERE UNAWARE OF CITICORP'S SIZE IN CANADA EVEN THOUGH CITICORP, LIKE OTHER MAJOR FOREIGN BANKS HERE, REPORTS ON ITS OPERATIONS REGULARLY TO BANK OF CANADA. HE SAID THAT CONVERSATION WITH FINANCE OFFICIALS LARGELY CONSISTED OF SERIES OF

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QUESTIONS BY FINANCE REPS TRYING TO DETERMINE WHAT CITICORP DEEMED TO BE VIABLE ALTERNATIVE TO ASSET

LIMITATION PROPOSAL AND BY CITICORP REP ATTEMPTING TO FIND OUT WHETHER EXEMPTION TO LIMITATION MIGHT BE GRANTED CITICORP. NEIGHER SIDE, ACCORDING TO CITICORP REP, WAS PREPARED TO GIVE CONCRETE ANSWERS.

4. CITICORP REP SAID THAT HE WAS ALSO UNABLE TO GET PRECISE DEFINITION OF "COMMERCIAL LENDING" FROM FINANCE OFFICIALS, IN CONTEXT OF THE WHITE PAPER PROPOSAL TO LIMIT FOREIGN BANKS TO 15 PERCENT OF OVERALL COMMERCIAL LENDING IN CANADA. HE BELIEVED FINANCE WAS KEEPING THIS PROPOSAL PURPOSELY VAGUE UNTIL GOC BUREAUCRATS HAD BETTER IDEA OF FOREIGN BANKERS' INTENTIONS AND FINANCE HAD CLEARER PICTURE OF FOREIGNERS CURRENT OPERATIONS.

5. CITICORP WOULD BE REQUIRED DIVEST ITSELF OF ITS PRESENT TRUST COMPANY OPERATIONS IF IT BECAME CHARTERED BANK, AND CITICORP REP THOUGHT THAT WORDING OF WHITE PAPER ON FOREIGN BANKS OPERATING IN CANADA REQUIRED CITICORP TO BECOME CHARTERED BANK. (COMMENT: THIS REFERS TO STATEMENT THAT "MINISTER WILL ENCOURAGE AND EXPECT" FOREIGN BANKS TO APPLY FOR CHARTER.)

6. EXPRESSING SOME OPTIMISM RE POSSIBLE GOC RELAXATION OF C\$500 MILLION LIMITATION PROPOSAL, CITICORP REP SAID HE DIDN'T THINK GOC WANTED "HASSLE" WITH CITICORP AT THIS TIME AND HE BELIEVED GOC REALLY WANTED COMPETITION IN BANKING INDUSTRY AND THEREFORE WOULD GIVE SERIOUS CONSIDERATION TO CITICORP'S POSITION. CITICORP WOULD BE FILING WRITTEN BRIEF WITH FINANCE DEPARTMENT BEFORE OCT. 15 DEADLINE.

7. IN REGARD TO CITICORP'S HOLDINGS IN MERCANTILE, CITICORP CONSIDERED THAT ISSUE TO HAVE BEEN TAKEN CARE OF BY 1967 BANK ACT AND CITICORP WAS NOT PREPARED TO REOPEN DISCUSSIONS ON THIS MATTER.

8. GENERALLY, CITICORP REP WAS FAVORABLY DISPOSED TO GOC WHITE PAPER AND THOUGHT THAT GOC WAS TAKING PROGRESSIVE STEP IN OPENING UP BANKING SYSTEM BY ALLOWING LIMITED OFFICIAL USE  
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FOREIGN FINANCIAL INSTITUTIONS BECOME CHARTERED BANKS. HOWEVER, CITICORP NEEDED LIFTING OF C\$500 MILLION RESTRICTION IN ORDER FOR IT TO CONTINUE AS VIABLE FINANCIAL INSTITUTION IN CANADA.  
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